

Utah Solutions: Charting the Path Upward Together

*2013 Health Summit Address
Utah Governor Gary R. Herbert
September 26, 2013*

It's great to be here today for the third annual Governor's Health Summit. Of all the summits I host, I'd be hard-pressed to think of one that is more important than this. I would especially like to recognize Dr. David Patton, executive director of the Utah Department of Health and his outstanding leadership team and staff, as well as Media One and the Salt Palace. Thank you for all your preparation, long hours and hard work in making this summit possible.

American poet Ralph Waldo Emerson said, "The first wealth is health." That's why today is so important. Without one's health, life can be very difficult. We have much to discuss and learn from each other.

As reflected in the theme, "Utah solutions for Utah's people," this summit is about finding innovative Utah solutions to the health care challenges that we face. We who live and work here are far better suited than a Washington bureaucrat more than 2,000 miles away to know what will and what won't work in Utah.

The health care challenges we face are threefold. First, too few people have access to affordable care; second, health care is expensive and growing more so – for individuals, government and business; and third, our current system incentivizes quantity rather than quality treatment.

While not everyone may completely agree on health care, we all share the same concerns about how it affects our families, our businesses and our employees. Ultimately, health care is about people. If we are to maintain our high quality of life and improve our robust Utah economy, we need healthy citizens in our homes and in the work place.

What we do here today is no mere academic or political exercise. This summit provides us with a great opportunity—as well as a responsibility—to identify solutions that will work best for the unique demographic we have here in Utah. For my part, I place a high premium on health care, and that is underscored by our state Health Department’s lofty goal to ensure Utahns are the healthiest people in the nation.

We already excel in some key areas.

For example, tobacco use is about 10 percent among adult Utahns – much lower than the national rate of 19 percent. Adult diabetes in Utah is the lowest in the nation, at around 6 percent, compared with 10 percent nationally. Furthermore, Utah has the lowest healthcare costs in the nation, and we are among the healthiest states in the nation.

We do have challenges in Utah, though.

One area where we struggle is access. Too many Utahns lack access to affordable health care. In 2012, more than 370,000 Utahns didn’t have health insurance—that’s about 13 percent. And although it’s lower than the national average—it’s still too high! Why is it important that we tackle that figure and drive it down? Again, it is about people.

Take Medicaid, for example. I think we all understand things can happen outside people’s control that put them in a position of needing some assistance. But that assistance is meant to be a temporary bridge to self-sufficiency, not a hammock for permanent dependency on government.

Let me tell you about a hardworking couple in southern Utah whom I’ll call Chelsea and Brad, whose experience illustrates how Medicaid is supposed to work. Chelsea had just received her nursing degree and Brad was wrapping up his degree when, much to their surprise, they learned Chelsea was pregnant. Neither had insurance. Fortunately, Chelsea and her baby qualified for Medicaid. Chelsea’s pregnancy and the delivery went smoothly. However, a few weeks later, the couple’s newborn son was diagnosed with a rare blood disorder that prevented him from keeping food down. The subsequent surgery at Primary Children’s Hospital was a resounding success.

I’m happy to report that Chelsea and Brad are no longer on Medicaid. They have since found good jobs – with health insurance – and their son is now an active 3-year-old. Medicaid provided them with a temporary bridge to avoid financial calamity.

Affordable, accessible, high-quality health care not only keeps us physically healthy, it keeps our families—made up of people like Chelsea and Brad--

financially healthy. It affords them the opportunity to enter or remain in the workforce, which also keeps our economy healthy.

There are thousands of stories like Chelsea and Brad out there. What there is *not*, is a one-size-fits-all solution to all health care challenges. In other words, what worked for Chelsea and Brad might not work for the family down the street, or the single mom across town working several part-time jobs that don't offer health insurance. Similarly, there is no one-size-fits-all-solution that will work in all 50 states.

Utah is no Johnny-come-lately with respect to health care reform. We had the vision to pursue state-initiated, market-based solutions long before health care reform was a gleam in President Obama's eye.

Throughout history, we have found the way to achieve the highest quality, at the lowest cost, for the most people, for *any* product, goods or services, has been the free market. Supply and demand, competition and innovation—those principles are already established because they work.

The same is true, I believe, with healthcare today.

Unfortunately, the uncertainty caused by Affordable Care Act has hampered our national economic recovery and stifled Utah's efforts to innovate on healthcare reform. The real question before us is the delivery system for Affordable Care.

For some, they would say this is a no-brainer. "Why not expand Medicaid?" they ask. "The federal government will pay for most of it. If we don't take the dollars, other states will. It's like turning down free money. You shouldn't 'look a gift horse in the mouth.' "

In response to those statements, let me first say there is no such thing as a free lunch. Whether Medicaid expansion is paid for by federal or state dollars, it all comes out of the same wallet – the American taxpayer's. So whichever course we choose, we must be mindful of where the money ultimately comes from.

I stand before you alarmed, that as our nation fights to stabilize a fragile, recovering economy, approaching \$17 trillion in debt, which is nearly \$53,000 per person, we are systematically spending ourselves into fiscal insolvency, writing checks that we can't afford to cash and neither can our children and grandchildren. And far from a gift horse, I worry what Washington may be offering is something more like a Trojan horse – and we all know how that turned out.

As your Governor, I want to reform Medicaid, not perpetuate its current failures. I'm willing to work with the current Administration to improve the program, but I'm not interested in perpetuating the current policies that have helped put America in this financial mess. That's why our decision on how to move forward must be made in the context of finding more efficiencies, controlling costs and optimizing health care resources for our citizens.

Since 2008, our Department of Workforce Services has saved more than \$26 million when determining applicant eligibility, thanks to a number of more efficient state-driven practices—like going paperless and implementing myCase, an award-winning online portal that allows Utahns to log in and instantly see all their account information.

And cost is a significant issue with respect to Medicaid. In fact, as I have said before, we should be mindful of all the costs—and the benefits—associated with each option we have before us.

The Utah Department of Health, working with a consultant, estimates the mandatory changes dictated by the Affordable Care Act would add 60,000 new adults and children to the Medicaid rolls in Utah by 2023, costing us more than \$800 million – \$220 million of which are state funds.

If we pursue the full-expansion option, an estimated 123,000 or more new adults would be added to Medicaid in Utah by 2023, costing Utah taxpayers more than \$3.2 billion, \$260 million of which would be state funds.

Look, you can only slice the state revenue pie so many times. In fiscal year 1993, Medicaid took up almost 12 percent of the state's general fund; in 2003, the rate was 15 percent; this year, it consumes 23 percent; and that percentage is projected to be more than 30 percent in the next 10 years.

It doesn't take a rocket scientist to know THAT trajectory is not sustainable. There needs to be fundamental reform to Medicaid and how it is administered.

The fact is, every state dollar given to Medicaid is a dollar taken away from education, transportation, public safety, and other health and human service needs. Even so, I recognize that Medicaid is an important part of our safety net system. It has helped thousands of Utahns avoid financial ruin and overcome significant health challenges.

Sadly, federal rules don't allow us to adopt incentives that encourage people to get off Medicaid as quickly as possible. We are not even allowed to increase co-pays—co-pays that have never been raised since the inception of Medicaid in 1965—or add a requirement that some recipients provide some service in return for Medicaid. That must change if we are going to reduce costs and improve access.

As we move toward a decision on expanding Medicaid, we have to balance meeting a need with affordability – to live within our means while caring for those who genuinely need some help.

We are not there yet.

Some people say expanding Medicaid is the only humanitarian option, while others say only a complete rejection of Medicaid expansion will protect our state's financial solvency. And all the while, the federal government is telling us that it will pick up the tab of 90 percent of the expansion.

I've heard such promises before. History does not necessarily side with the federal government when it comes to fully funding federal programs. And with sequestration, a slow national economy, and some of the greatest fiscal uncertainty I've ever seen, I am skeptical of promises of billions of dollars from Washington and their unreliable estimates of what the cost of those programs will be.

I know this is frustrating to some of you, but I'm not willing to rush to judgment on Medicaid expansion based on political expediency or incomplete information. That sort of ready-shoot-aim approach is dangerous in any endeavor, but will be even more so when it will impact hundreds of thousands of lives and cost billions of dollars.

Now, I've stated some of my obvious concerns about the options ahead, but let me be clear: I have not made a decision, yet.

With so many lives affected, and so many taxpayer dollars at stake, I'd rather do this right than fast. When we make this decision, it will be well-thought out, all ramifications will be understood and it will include as many points of view as possible.

The good news is that we are getting close.

Thanks to an independent economic study of Medicaid expansion options, we now have some analytical tools to add to the toolbox in examining our options. We also have the good work of the Medicaid Expansion Options Committee, a workgroup which was formed last spring and has vigorously tackled this very tough issue.

The task they were given – to explore our Medicaid options as a state – was enormously complex. Fortunately, they have proven to be more than up to the challenge. The group was comprised of legislators, health care providers, business leaders and advocates for low-income individuals, among others.

Whatever their background and experience, each member had their pre-conceived beliefs challenged as they thoughtfully listened to the concerns and ideas of those with differing viewpoints. I am deeply appreciative of their contribution to this extensive process.

There are many options before us, from which we can build a customized plan for Utah. Some of the possibilities the Committee has identified so far include: full expansion, partial expansion, a block grant or compact, a tax recovery through a waiver, or private charity care. I am confident we can draw from these ideas and build a plan that benefits Utah's taxpayers—as well as provide for those in need—and I look forward to that process.

I will examine all options within the framework of several guiding principles, which include: 1) maintaining quality, affordable, accessible healthcare for Utahns; 2) limiting Medicaid's impact as a bulging state budget driver that threatens education and infrastructure investment; 3) ensuring individual independence in healthcare decisions; 4) protecting Utah's financial independence and recovering economy from federal fiscal uncertainty; and 5) reforming Medicaid by giving more flexibility to the states, either in the form of block grants or waivers, or a tax credit to individuals in states that don't expand and that can be used for health insurance in private markets.

As large as it is, Medicaid is only one piece in the puzzle to improving health and health care in Utah. One of the primary reasons we are here is to advance our long-range health plan. In April, I asked Lieutenant Governor Bell to chair a group tasked with completing that plan. We are now transitioning from talking about the plan to implementing the plan.

Since we launched that effort at our first Health Summit in 2011, more than 200 leaders from the public and private sectors have been working on the plan. Once again, our combined efforts have confirmed Utah's status as a leader and policy innovator nationally – and it has not gone unnoticed.

For instance, Utah is one of only 16 states to receive a State Innovations Model grant—or SIM grant—from the Center for Medicare and Medicaid Innovation. This grant is being used to develop and test our state-based solutions or reforms for health care. Our focus is on creating reforms in five distinct areas: health information technology, health workforce, prevention and wellness, payment reform, and patient safety and quality.

We are already making strides in health information technology. It has become increasingly clear, that access to complete, clean health data is absolutely essential for health reform. That is

why I've asked the Department of Health, working in concert with partners in the private and public sectors, to develop the state Healthcare Data Center.

This center will incorporate data from the All Payer Claims Database, which is a storehouse for data originating from 21 commercial plans for 1.9 million users of the health care system. To ensure that information is used to drive down costs, the Utah Department of Health is partnering with Health INsight and the Insurance Department to develop a web site where consumers can access the data to compare healthcare costs.

This is one of several new and promising elements in our long-range health plan, which is aimed at improving health care in Utah for everyone: consumers, insurers and providers. It has a special focus on public programs in Utah -- Medicare, Medicaid and the Children's Health Insurance Program. Our ultimate goal is to shift Utah's health delivery model from one that focuses on quantity, to one that focuses on quality. Simply put, we have to stop paying for volume and start paying for value.

Our state's Medicaid program has started doing just that. On January 1 of this year, the Department of Health transitioned 70 percent of the state's Medicaid Clients into Accountable Care Organizations or ACOs. Under the ACO model, we're focused on delivering quality, not quantity, to improve patient outcomes. And it's already working.

Let me tell you a story about a 56-year old diabetic woman, I'll call her Diane, who is enrolled in our ACO. When Diane entered the program in January, she had a very high blood sugar level, which means her diabetes was poorly controlled. By the end of July, her blood sugar level was under control and she no longer needed daily insulin, having moved to oral medication. She has lost weight, and lowered her blood pressure and stress levels. She says she is sleeping better and is more physically active. Diane attributes her success to the regular interaction she has with her care worker who was assigned through the ACO program. Thanks to a focus on her overall health—rather than just intermittent meetings with a doctor for a procedure—Diane is much healthier.

If you pay doctors to do more procedures or do more treatments, they will. Thirty percent of the money we spend on health care does not directly benefit the patient.

Focusing on quality over quantity may seem daunting. How do we reform a massive system that touches literally each one of our citizens? It's one-seventh of our GDP, for heaven's sake! Luckily, here in Utah we are experts at increasing efficiency and reducing costs, which usually defies others' expectations.

Let me say that despite the challenges before us, I am optimistic about our ability to meet them. That comes as no surprise to those who know me best. A colleague recently joked that “I was so optimistic that if I ever went to jail, I’d just tell people I lived in a gated community.”

Well, all kidding aside, I make no apologies for being optimistic. After all, I have good reason to be optimistic. We are making progress. We are moving in the right direction. We are solving problems. I have confidence in the process we are following. Whatever it lacks in tempo, it makes up for in substance, thoughtfulness and thoroughness.

Finally, let me say I’m optimistic because of you. If Utah stands on higher ground in health care, it is because of the heavy lifting done by so many of you here today. I’ve said before that we have a heavy wagon to pull. Whether we are on the left or right of that wagon, we are all pulling in the same direction. Because ultimately, we all want the same outcome: better health for our citizens and reduced costs for taxpayers.

As we pull that wagon together up toward the summit, we will get closer and closer to solving our healthcare challenges. But despite the strenuous path, the beauty of our challenges is that they bring us together.

We’re already here at this summit, united in our common goal for the common good. The ideas discussed here today will chart the path upward. And when we finally crest the mountaintop, I’m confident the vista of what we have achieved together will surpass what many of us thought possible.

Thanks to your vision, dedication and hard work, I know we will succeed—that’s simply what we do in the Great State of Utah.

Thank you.